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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q

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(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 13(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-5181

ELCO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation of organization)

36-1033080

(I.R.S. Employer Identification No.)

1111 SAMUELSON ROAD, P.O. BOX 7009, ROCKFORD, ILLINOIS 61125

(Address of principal executive offices and zip code)

(815) 397-5151

Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports  
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date:

4,901,962 Common Shares, \$5 Par Value as of May 13, 1992

This report contains a total of 16 pages.

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## PART I. FINANCIAL INFORMATION

The condensed financial statements reflect all adjustments, consisting of normal recurring accruals, which the Company considers necessary for a fair presentation of the results for the indicated periods.

Incorporated herein is the following unaudited (except for the Consolidated Condensed Balance Sheet as of June 30, 1991, which is audited) financial information:

Consolidated Condensed Balance Sheets as of March 31, 1992 and June 30, 1991.

Consolidated Condensed Income Statements for the three-month and nine-month periods ended March 31, 1992 and 1991.

Statements of Consolidated Cash Flows for the nine-month periods ended March 31, 1992 and 1991.

Notes to Consolidated Condensed Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations.

Dollars in thousands

ELCO INDUSTRIES, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS, MARCH 31, 1989 AND JUNE 30, 1987

| ASSETS                                                  |                                                  | March 31<br>(Unaudited) | June 30<br>(Audited) | LIABILITIES AND STOCKHOLDERS' EQUITY |                                                                                                                 | March 31<br>(Unaudited) | June 30<br>(Audited) |
|---------------------------------------------------------|--------------------------------------------------|-------------------------|----------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------|----------------------|
| Current Assets                                          | Cash and cash equivalents                        | 9581                    | \$4,302              | Current Liabilities                  | Accounts payable-trade creditors                                                                                | \$10,033                | \$6,731              |
|                                                         | Accounts receivable -                            |                         |                      |                                      | Current maturities of long-term obligations                                                                     | 2,487                   | 2,508                |
|                                                         | less discounts (March 31, \$448; June 30, \$309) | 36,266                  | 34,067               |                                      | Bank notes payable                                                                                              | 9,960                   |                      |
|                                                         | Inventories                                      | 34,718                  | 22,819               |                                      | Accrued liabilities                                                                                             |                         |                      |
|                                                         | Refundable income taxes                          | 574                     |                      |                                      | Salaries, wages and commissions                                                                                 | 2,127                   | 1,712                |
|                                                         | Deferred taxes on income                         | 1,176                   | 1,128                |                                      | Compensated absences                                                                                            | 2,838                   | 1,783                |
|                                                         | Prepaid expenses                                 | 912                     | 389                  |                                      | Income taxes                                                                                                    |                         | 922                  |
|                                                         | Other current assets                             | 2                       | 68                   |                                      | Other taxes                                                                                                     | 1,028                   | 897                  |
|                                                         |                                                  |                         |                      |                                      | Retirement plans                                                                                                | 900                     | 858                  |
|                                                         | Total current assets                             | 54,114                  | 52,917               |                                      | Interest                                                                                                        | 1,634                   | 1,175                |
| Property, Plant and Equipment                           | Land                                             | 418                     | 418                  |                                      | Other                                                                                                           | 2,429                   | 2,318                |
|                                                         | Land and leasehold improvements                  | 2,979                   | 2,581                | Long-Term Debt                       | Total current liabilities                                                                                       | 25,862                  | 21,723               |
|                                                         | Buildings and building equipment                 | 22,861                  | 21,136               |                                      |                                                                                                                 | 80,977                  | 52,975               |
|                                                         | Machinery and equipment                          | 101,043                 | 95,636               |                                      |                                                                                                                 | 488                     | 732                  |
|                                                         | Furniture and office equipment                   | 7,390                   | 8,600                |                                      | Long-Term Liabilities                                                                                           |                         |                      |
|                                                         | Construction in progress                         | 1,172                   | 1,104                |                                      | Commitments and Contingencies                                                                                   |                         |                      |
|                                                         | Total                                            | 136,814                 | 128,801              |                                      | Deferred Taxes on Income                                                                                        | 8,769                   | 8,523                |
|                                                         | Less accumulated depreciation and amortization   | 87,717                  | 82,569               |                                      | Other Deferred Liabilities                                                                                      | 3,912                   | 1,826                |
|                                                         | Property, plant and equipment net                | 49,097                  | 46,232               |                                      | Stockholders' Equity                                                                                            |                         |                      |
|                                                         |                                                  |                         |                      |                                      | Capital stock:                                                                                                  |                         |                      |
|                                                         |                                                  |                         |                      |                                      | Preferred - Authorized, 250,000 shares at \$1 per value: issued and outstanding - none                          |                         |                      |
| Construction/Project Funds Held in Trust                |                                                  | 3,506                   | 4,379                |                                      | Common - Authorized, 20,000,000 shares at \$5 per value: issued March 31 4,967,043 and June 30 4,967,102 shares | 24,526                  | 24,285               |
| Intangibles net                                         |                                                  | 12,137                  | 12,586               |                                      | Additional paid-in capital                                                                                      | 7,229                   | 8,987                |
| Investment in and Advances to Unconsolidated Affiliates |                                                  | 1,780                   | 2,297                |                                      | Retained earnings                                                                                               | 25,583                  | 31,181               |
| Other Assets                                            |                                                  | 5,422                   | 9,980                |                                      | Total                                                                                                           | 57,313                  | 62,363               |
|                                                         |                                                  |                         |                      |                                      | Less common stock in treasury at end-March 31, 5,081 shares; June 30, 9,353 shares                              | 91                      | 78                   |
| TOTAL                                                   |                                                  | \$144,972               | \$147,989            | TOTAL                                |                                                                                                                 | \$144,972               | \$147,989            |
|                                                         |                                                  | *****                   | *****                |                                      |                                                                                                                 | *****                   | *****                |

See Notes To Consolidated Condensed Financial Statements

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ELCO INDUSTRIES, INC.  
CONSOLIDATED CONDENSED INCOME STATEMENTS  
FOR THE THREE MONTH AND NINE MONTH PERIODS  
ENDED MARCH 31, 1992 AND 1991

(Dollars in thousands except per share amounts)

|                                                                                                                                              | For The Three Months Ended |                 | For The Nine Months Ended |                 |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------|---------------------------|-----------------|
|                                                                                                                                              | 3/31/92                    | 3/31/91         | 3/31/92                   | 3/31/91         |
| Net sales                                                                                                                                    | \$47,893                   | \$36,094        | \$139,570                 | \$113,863       |
| Cost of products sold                                                                                                                        | <u>40,502</u>              | <u>30,322</u>   | <u>116,211</u>            | <u>94,812</u>   |
| Gross profit                                                                                                                                 | 7,391                      | 5,772           | 23,359                    | 19,051          |
| Selling and administrative expenses                                                                                                          | <u>5,498</u>               | <u>5,164</u>    | <u>17,526</u>             | <u>15,597</u>   |
| Income from operations                                                                                                                       | 1,893                      | 608             | 5,833                     | 3,454           |
| Interest expense                                                                                                                             | 1,154                      | 876             | 3,604                     | 2,412           |
| Interest income                                                                                                                              | 49                         | 171             | 228                       | 622             |
| Non-operating expenses                                                                                                                       | <u>5,091</u>               | <u>260</u>      | <u>5,091</u>              | <u>260</u>      |
| Income (loss) before provision (benefit) for taxes, equity in loss of unconsolidated affiliate and cumulative effect of change in accounting | <u>(4,303)</u>             | <u>(357)</u>    | <u>(2,634)</u>            | <u>1,404</u>    |
| Provision (benefit) for taxes on income                                                                                                      |                            |                 |                           |                 |
| Current:                                                                                                                                     |                            |                 |                           |                 |
| Federal                                                                                                                                      | (477)                      | (196)           | 139                       | 171             |
| State                                                                                                                                        | (70)                       | 5               | 103                       | 154             |
| Deferred                                                                                                                                     | <u>(937)</u>               | <u>94</u>       | <u>(1,009)</u>            | <u>300</u>      |
| Total provision (benefit) for taxes on income                                                                                                | <u>(1,484)</u>             | <u>(97)</u>     | <u>(767)</u>              | <u>625</u>      |
| Income (loss) before equity in loss of unconsolidated affiliate and cumulative effect of change in accounting                                | (2,819)                    | (260)           | (1,867)                   | 779             |
| Equity in loss of unconsolidated affiliate                                                                                                   | (80)                       | (402)           | (509)                     | (1,051)         |
| Cumulative effect of change in accounting                                                                                                    |                            |                 | <u>(1,355)</u>            |                 |
| Net income (loss)                                                                                                                            | <u>\$(2,899)</u>           | <u>\$ (662)</u> | <u>\$(3,731)</u>          | <u>\$(272)</u>  |
| Net income (loss) per common share                                                                                                           | <u>\$ (.59)</u>            | <u>\$ (.14)</u> | <u>\$ (.77)</u>           | <u>\$ (.06)</u> |
| Dividends per common share                                                                                                                   | <u>\$ .13</u>              | <u>\$ .13</u>   | <u>\$ .39</u>             | <u>\$ .39</u>   |
| Weighted average number of shares outstanding                                                                                                | 4,878,391                  | 4,850,749       | 4,863,783                 | 4,849,900       |

See Notes to Consolidated Condensed Financial Statements  
Unaudited

ELCO INDUSTRIES, INC.  
STATEMENTS OF CONSOLIDATED CASH FLOWS  
FOR THE NINE MONTHS ENDED MARCH 31, 1992 AND 1991

| (Dollars in thousands)                                                                   | <u>1992</u>    | <u>1991</u>    |
|------------------------------------------------------------------------------------------|----------------|----------------|
| Cash flows from operating activities:                                                    |                |                |
| Net loss                                                                                 | \$(3,731)      | \$ (272)       |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                |                |
| Depreciation and amortization of property, plant and equipment                           | 6,513          | 6,063          |
| Amortization of intangibles                                                              | 449            | 111            |
| Loss (gain) on retirement and disposal of property, plant and equipment                  | 56             | (2)            |
| Provision for loss on installment notes receivable                                       | 5,091          |                |
| Change in assets and liabilities:                                                        |                |                |
| Decrease (increase) in accounts receivable                                               | (2,211)        | 1,198          |
| Increase in inventories                                                                  | (1,902)        | (1,570)        |
| Increase in prepaid expenses                                                             | (414)          | (132)          |
| Increase in other current assets                                                         | (563)          | (226)          |
| Increase (decrease) in accounts payable                                                  | 302            | (3,261)        |
| Decrease in accrued liabilities                                                          | 789            | (1,093)        |
| Increase (decrease) in deferred income taxes                                             | (1,861)        | 300            |
| Increase in other deferred liabilities                                                   | 2,286          | 77             |
| ESOP contribution from common and treasury shares                                        | 401            |                |
| Other                                                                                    | <u>297</u>     | <u>(403)</u>   |
| Net cash provided by operating activities                                                | <u>5,502</u>   | <u>790</u>     |
| Cash flows from investing activities:                                                    |                |                |
| Additions to property, plant and equipment                                               | (8,567)        | (9,539)        |
| Proceeds from retirement and disposal of property, plant and equipment                   | 333            | 9              |
| Increase in installment note receivable                                                  | (660)          | (336)          |
| Payments received on installment note receivable                                         |                | 500            |
| Decrease in construction/project funds held in trust                                     | 870            | 2,558          |
| Decrease (increase) in investment in and advances to unconsolidated affiliate            | <u>474</u>     | <u>(101)</u>   |
| Net cash required for investing activities                                               | <u>(7,550)</u> | <u>(6,909)</u> |
| Cash flows from financing activities:                                                    |                |                |
| Payments on long-term debt                                                               | (2,119)        | (3,117)        |
| Payments on long-term lease obligations                                                  | (297)          | (297)          |
| Increase in bank notes payable                                                           | 2,900          | 10,500         |
| Dividends paid                                                                           | <u>(1,897)</u> | <u>(1,892)</u> |
| Net cash provided by (required for) financing activities                                 | <u>(1,413)</u> | <u>5,194</u>   |
| Net decrease in cash and cash equivalents                                                | (3,461)        | (925)          |
| Cash and cash equivalents at beginning of period                                         | <u>4,022</u>   | <u>1,146</u>   |
| Cash and cash equivalents at end of period                                               | <u>\$ 561</u>  | <u>\$ 221</u>  |
| Cash paid for: Interest                                                                  | \$ 3,406       | \$ 3,093       |
| Income taxes                                                                             | \$ 1,736       | \$ 1,222       |

See Notes to Consolidated Condensed Financial Statements

Unaudited

ELCO INDUSTRIES, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Dollars in thousands except per share amounts)

1. ACCOUNTING POLICIES

The consolidated condensed balance sheet as of March 31, 1992, the consolidated condensed income statements for the three month and nine month periods ended March 31, 1992 and 1991, and the statements of consolidated cash flows for the nine month periods ended March 31, 1992 and 1991 have been prepared by the Company without audit. The June 30, 1991 consolidated condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's June 30, 1991 annual report to stockholders. The results of operations for the period ended March 31, 1992 are not necessarily indicative of the operating results for the full year.

2. INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for approximately 62% and 51% of the Company's inventories at March 31, 1992 and June 30, 1991, respectively, and by the first-in, first-out (FIFO) method for all other inventories. The inventories are summarized as follows:

|                            | March 31        | June 30         |
|----------------------------|-----------------|-----------------|
|                            | <u>1992</u>     | <u>1991</u>     |
| Raw materials and supplies | \$11,962        | \$11,731        |
| Work in process            | 8,108           | 7,609           |
| Finished goods             | <u>12,660</u>   | <u>11,389</u>   |
|                            | 32,730          | 30,729          |
| Less LIFO reserve          | <u>(8,012)</u>  | <u>(7,913)</u>  |
| Total                      | <u>\$24,718</u> | <u>\$22,816</u> |

The replacement cost of inventories at March 31, 1992 and June 30, 1991 approximates FIFO value.

### 3. LONG-TERM DEBT

The Company must meet certain restrictive debt covenants. The primary covenants include maintaining a consolidated tangible net worth ("net worth"), as defined in the agreements, and limiting dividends. The dividend limitation includes a base amount and increases for one-half of net income. Considering both the net worth and dividend covenants, \$115 of retained earnings was available to the Company for cash dividends as of March 31, 1992. The agreement includes a change in control provision which may result in a prepayment penalty and all unpaid principal and interest due immediately.

### 4. SHORT-TERM LINES OF CREDIT

At March 31, 1992, the Company had bank lines of credit permitting borrowing up to an aggregate of \$20,500 at the banks' corporate base rate or a fixed rate (at the option of the Company) as defined in the agreements. The lines require no compensating balances or commitment fee. The lines, generally reviewed annually for renewal, are subject to the usual terms and conditions applied by the banks. At March 31, 1992, \$2,900 of the lines were used.

### 5. TAXES ON INCOME

The effective tax rates for the quarters ended March 31, 1992 and 1991 were 34.5% and 27.2%, respectively. The effective tax rate for the nine-month periods ended March 31, 1992 and 1991 were 29.1% and 44.5%, respectively. The change in effective tax rates reflects a change in estimated state taxable income among various states in which the Company conducts business.

### 6. INTEREST

The Company capitalizes interest costs relating to construction of property or equipment and amortizes such costs over the depreciable lives of the related assets. Certain information regarding this capitalization follows:

|                         | <u>Three Months Ended</u> |                | <u>Nine Months Ended</u> |                |
|-------------------------|---------------------------|----------------|--------------------------|----------------|
|                         | <u>3/31/92</u>            | <u>3/31/91</u> | <u>3/31/92</u>           | <u>3/31/91</u> |
| Interest costs incurred | \$1,171                   | \$895          | \$3,685                  | \$2,592        |
| Interest capitalized    | <u>17</u>                 | <u>19</u>      | <u>81</u>                | <u>180</u>     |
| Interest expensed       | <u>\$1,154</u>            | <u>\$876</u>   | <u>\$3,604</u>           | <u>\$2,412</u> |

## 7. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

During 1992, the provisions of Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions" were adopted. The Statement requires companies to accrue the expected cost of providing post-retirement benefits other than pensions over the years that employees render the necessary service rather than the cash basis previously used. The projected benefit obligation of \$1,355 (net of tax of \$852) relating to prior service cost was recognized as a cumulative effect of accounting change as of July 1, 1991. The total cumulative effect of this accounting change was to decrease net earnings by \$.28 per share.

In addition to providing pension and other supplemental benefits, the Company provides certain health care benefits for eligible retired employees. Employees become eligible for these benefits if they meet minimum age and service requirements and contribute a portion of the cost.

The accounting for the unfunded health care plan incorporates cost-sharing changes to the existing plan that will limit the Company's contribution to a per capita amount based on age and years of service of the retirees. The Company has the right to modify or terminate these benefits.

At March 31, 1992, the Company has recorded a total post-retirement obligation of approximately \$2,134 which represents the transition adjustment of \$2,207 less the actual cost of retiree health benefits paid for the nine-month period ended March 31, 1992, plus interest and service costs attributed to service during the period. The Company has included \$1,958 in other deferred liabilities and the balance in current liabilities. The interest and service costs required to be provided for the nine-month period ended March 31, 1992 are not significantly different than the costs incurred on a cash basis for the same period.

For measurement purposes, a 14% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1992; the rate was assumed to decrease gradually to 6% for 2051. This trend rate will impact primarily only the projection of post-retirement medical costs for those retirees who retire prior to January 1, 1993. For all other retirees, the post-retirement plan effective January 1, 1993 limits the impact that the trend rates will have on the Company's projected costs.

The expense for post-retirement health care benefits was approximately \$233 and \$131 for the years ended June 30, 1991 and 1990, respectively.

Net income and net income per common share for the 1st quarter of fiscal 1992 has been restated to reflect the adoption in the 3rd quarter of 1992 of SFAS No. 106 effective July 1, 1991. The accounting change had no material impact on the 2nd quarter.

|                                           | 1st<br><u>Quarter</u> |
|-------------------------------------------|-----------------------|
| Net income as originally reported         | \$ 928                |
| Adoption of SFAS 106:                     |                       |
| Cumulative effect of adoption, net of tax | (1,355)               |
| Effect of adoption on current year        | <u>0</u>              |
| Net income (loss) as restated             | <u>\$ (427)</u>       |
| Per share                                 | <u>\$ (.09)</u>       |

#### 8. NON-OPERATING EXPENSES

In the third quarter of 1992, the Company incurred a non-operating charge of \$5,091 associated with the complete write-off of the value of a promissory note receivable related to the 1986 divestiture of Acme Rivet and Machine Corp., a former subsidiary. In addition, this charge includes a reduction in the value of real estate which also secures a promissory note receivable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

General

The Company's products are classified into three segments: industrial products, consumer products and construction products. The following tabulation sets forth the sales and income from operations of each product segment for the periods indicated and the percentage of total sales.

|                        | Qtr<br>Ended<br><u>3/31/92</u><br>(000's) | %<br>Of<br><u>Total</u> | Qtr<br>Ended<br><u>3/31/91</u><br>(000's) | %<br>Of<br><u>Total</u> | %<br><u>Change</u> |
|------------------------|-------------------------------------------|-------------------------|-------------------------------------------|-------------------------|--------------------|
| <b>NET SALES:</b>      |                                           |                         |                                           |                         |                    |
| Industrial             | \$33,477                                  | 70 %                    | \$25,595                                  | 71 %                    | 31 %               |
| Consumer               | 11,718                                    | 24 %                    | 7,677                                     | 21 %                    | 53 %               |
| Construction           | <u>2,698</u>                              | <u>6 %</u>              | <u>2,822</u>                              | <u>8 %</u>              | (4)%               |
| Consolidated Net Sales | <u>\$47,893</u>                           | <u>100 %</u>            | <u>\$36,094</u>                           | <u>100 %</u>            | 33 %               |

|                        | Nine<br>Months<br>Ended<br><u>3/31/92</u><br>(000's) | %<br>Of<br><u>Total</u> | Nine<br>Months<br>Ended<br><u>3/31/91</u><br>(000's) | %<br>Of<br><u>Total</u> | %<br><u>Change</u> |
|------------------------|------------------------------------------------------|-------------------------|------------------------------------------------------|-------------------------|--------------------|
| <b>NET SALES:</b>      |                                                      |                         |                                                      |                         |                    |
| Industrial             | \$ 95,381                                            | 69 %                    | \$ 79,972                                            | 70 %                    | 19 %               |
| Consumer               | 35,266                                               | 25 %                    | 24,639                                               | 22 %                    | 43 %               |
| Construction           | <u>8,923</u>                                         | <u>6 %</u>              | <u>9,252</u>                                         | <u>8 %</u>              | (4)%               |
| Consolidated Net Sales | <u>\$139,570</u>                                     | <u>100 %</u>            | <u>\$113,863</u>                                     | <u>100 %</u>            | 23 %               |

|                              | Qtr<br>Ended<br><u>3/31/92</u><br>(000's) | %<br>Of<br><u>Sales</u> | Qtr<br>Ended<br><u>3/31/91</u><br>(000's) | %<br>Of<br><u>Sales</u> | %<br><u>Change</u> |
|------------------------------|-------------------------------------------|-------------------------|-------------------------------------------|-------------------------|--------------------|
| INCOME FROM OPERATIONS:      |                                           |                         |                                           |                         |                    |
| Industrial                   | \$ 977                                    | 3 %                     | \$ (114)                                  | -                       |                    |
| Consumer                     | 1,007                                     | 9 %                     | 833                                       | 11 %                    | 21 %               |
| Construction                 | <u>347</u>                                | 13 %                    | <u>341</u>                                | 12 %                    | 2 %                |
|                              | 2,331                                     |                         | 1,060                                     |                         |                    |
| Corporate expenses           | <u>(438)</u>                              |                         | <u>(452)</u>                              |                         |                    |
| Total Income from Operations | <u>\$1,893</u>                            | 4 %                     | <u>\$ 608</u>                             | 2 %                     | 211 %              |

|                              | Nine<br>Months<br>Ended<br><u>3/31/92</u><br>(000's) | %<br>Of<br><u>Sales</u> | Nine<br>Months<br>Ended<br><u>3/31/91</u><br>(000's) | %<br>Of<br><u>Sales</u> | %<br><u>Change</u> |
|------------------------------|------------------------------------------------------|-------------------------|------------------------------------------------------|-------------------------|--------------------|
| INCOME FROM OPERATIONS:      |                                                      |                         |                                                      |                         |                    |
| Industrial                   | \$3,431                                              | 4 %                     | \$ 687                                               | 1 %                     | 399 %              |
| Consumer                     | 2,472                                                | 7 %                     | 2,984                                                | 12 %                    | (17) %             |
| Construction                 | <u>1,194</u>                                         | 13 %                    | <u>1,106</u>                                         | 12 %                    | 8 %                |
|                              | 7,097                                                |                         | 4,777                                                |                         |                    |
| Corporate expenses           | <u>(1,264)</u>                                       |                         | <u>(1,323)</u>                                       |                         |                    |
| Total Income from Operations | <u>\$5,833</u>                                       | 4 %                     | <u>\$ 3,454</u>                                      | 3 %                     | 69 %               |

The following table presents, for the periods indicated, certain information derived from the Consolidated Condensed Income Statements of the Company expressed as percentages of net sales and the percentage changes in the dollar amount of such items compared to the prior period.

|                                                                                                              | Percentage of Net Sales<br>Three Months Ended<br>March 31, |              | Percentage Increase (Decrease)<br>Three Months Ended<br>March 31, 1992<br>over 1991 |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------|
|                                                                                                              | <u>1992</u>                                                | <u>1991</u>  |                                                                                     |
| Net sales                                                                                                    | 100.0                                                      | 100.0        | 33 %                                                                                |
| Cost of products sold                                                                                        | <u>84.6</u>                                                | <u>84.0</u>  | 34 %                                                                                |
| Gross profit                                                                                                 | 15.4                                                       | 16.0         | 28 %                                                                                |
| Selling, general and<br>administrative expenses                                                              | <u>11.5</u>                                                | <u>14.3</u>  | 6 %                                                                                 |
| Income from operations                                                                                       | 3.9                                                        | 1.7          | 211 %                                                                               |
| Interest expense                                                                                             | 2.4                                                        | 2.4          | 32 %                                                                                |
| Interest income                                                                                              | .1                                                         | .4           | (71)%                                                                               |
| Non-operating expense                                                                                        | <u>10.6</u>                                                | <u>.7</u>    | 1,858 %                                                                             |
| Income (loss) before provision<br>(benefit) for taxes and<br>equity in loss of uncon-<br>solidated affiliate | (9.0)                                                      | (1.0)        |                                                                                     |
| Provision (benefit) for taxes<br>on income                                                                   | <u>(3.1)</u>                                               | <u>(.3)</u>  |                                                                                     |
| Income (loss) before equity in<br>loss of unconsolidated<br>affiliate                                        | (5.9)                                                      | (.7)         |                                                                                     |
| Equity in loss of<br>unconsolidated affiliate                                                                | <u>(.2)</u>                                                | <u>(1.1)</u> |                                                                                     |
| Net income (loss)                                                                                            | <u>(6.1)</u>                                               | <u>(1.8)</u> |                                                                                     |

|                                                                                                                                                             | Percentage of Net Sales |               | Percentage Increase (Decrease) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------|--------------------------------|
|                                                                                                                                                             | Nine Months Ended       |               | Nine Months Ended              |
|                                                                                                                                                             | March 31,               |               | March 31, 1992                 |
|                                                                                                                                                             | <u>1992</u>             | <u>1991</u>   | over 1991                      |
| Net sales                                                                                                                                                   | 100.0                   | 100.0         | 23 %                           |
| Cost of products sold                                                                                                                                       | <u>83.3</u>             | <u>83.3</u>   | 23 %                           |
| Gross profit                                                                                                                                                | 16.7                    | 16.7          | 23 %                           |
| Selling, general and<br>administrative expenses                                                                                                             | <u>12.5</u>             | <u>13.7</u>   | 12 %                           |
| Income from operations                                                                                                                                      | 4.2                     | 3.0           | 69 %                           |
| Interest expense                                                                                                                                            | 2.6                     | 2.1           | 49 %                           |
| Interest income                                                                                                                                             | .2                      | .5            | (63)%                          |
| Non-operating expense                                                                                                                                       | <u>3.7</u>              | <u>.2</u>     | 1,858 %                        |
| Income (loss) before provision<br>(benefit) for taxes, equity<br>in loss of unconsolidated<br>affiliate and cumulative<br>effect of change in<br>accounting | (1.9)                   | 1.2           |                                |
| Provision (benefit) for taxes<br>on income                                                                                                                  | <u>(.6)</u>             | <u>.5</u>     |                                |
| Income (loss) before equity in<br>loss of unconsolidated<br>affiliate and<br>cumulative effect of<br>change in accounting                                   | (1.3)                   | .7            |                                |
| Equity in loss of<br>unconsolidated<br>affiliate                                                                                                            | (.4)                    | (.9)          |                                |
| Cumulative effect of change<br>in accounting                                                                                                                | <u>(1.0)</u>            | <u>      </u> |                                |
| Net income (loss)                                                                                                                                           | <u>(2.7)</u>            | <u>(.2)</u>   |                                |

## RESULTS OF OPERATIONS

Three Month Period Ended March 31, 1992 Compared To The Three Month Period Ended March 31, 1991.

Consolidated net sales increased 33% to \$47,893,000. Sales of the industrial segment increased 31% with all operating units of this segment showing increases. Sales of the consumer segment increased 53%. About two-thirds of this increase resulted from the acquisition of Bear-Kat Products in May 1991 with the balance reflecting increased market penetration. Sales of the construction segment showed a modest decline as the commercial and industrial markets continued to be weak.

Consolidated operating income increased as a percentage of sales from 1.7% to 3.9%. The industrial segment generated income during the current quarter compared to a loss in the prior year reflecting the higher level of sales and improving efficiency levels. Operating income of the consumer segment decreased as a percentage of sales reflecting the costs of integrating the Bear-Kat operations into the Rockford facility. The construction segment's operating income percentage increased due to improved operating efficiencies associated with having its own manufacturing operation.

Net interest expense increased from \$705,000 to \$1,105,000 primarily due to higher levels of debt associated with the Bear-Kat acquisition in May 1991.

A non-operating charge of \$5,091,000 was recorded in the current quarter. The charge was primarily due to the complete write-off of the value of a promissory note receivable related to the 1986 divestiture of Acme Rivet and Machine Corp., a former subsidiary. In addition, the charge included a substantial reduction in the value of real estate in New England which also secures a promissory note receivable. This real estate was formerly occupied by Acme and is now held for sale.

As a result of the non-operating charge discussed above, there was a loss before income taxes. A tax benefit of 34.5% in the current period compared to a tax benefit of 27.2% reflects a change in mix of state taxable income among various states in which the Company conducts business.

The Company's share of the losses of Rocknel Fastener, Inc., a 50% owned joint venture, decreased significantly reflecting Rocknel's improved sales levels and more efficient operations.

Nine Month Period Ended March 31, 1992 Compared To The Nine Month Period Ended March 31, 1991.

Consolidated net sales increased 23% to \$139,570,000, led by a 43% increase in consumer segment sales primarily associated with the Bear-Kat acquisition in May 1991. Industrial segment sales increased and were affected by increasing market penetration. The construction segment showed a modest decline.

Consolidated operating income increased as a percentage of sales from 3.0% to 4.2%. The higher sales and improved operating efficiencies in the industrial segment resulted in a five fold increase in that segments operating return. That strong improvement was partially offset by a decrease in the return of the consumer segment. That decrease primarily reflected the costs associated with integrating the operations of the Bear-Kat acquisition into the Rockford facility.

Net interest expense increased from \$1,790,000 to \$3,376,000 primarily to the debt incurred for the Bear-Kat acquisition.

Non-operating expenses were discussed in the previous section.

In spite of the improved operating results, the non-operating charge resulted in a pre-tax loss.

Taxes in the current period were a 29.1% benefit compared to an effective tax rate expense of 44.5% in the prior year.

As operations of Rocknel Fastener, Inc., a 50% owned joint venture, have improved, the Company's share of losses has been cut in half.

The Company elected an early adoption during the third quarter of the Statement of Financial Accounting Standards No. 106, "Employer's Accounting for Post-retirement Benefits Other Than Pensions" (SFAS 106). The adoption, effective at the beginning of the fiscal year, resulted in a one-time, non-cash charge to earnings for \$1,355,000, net of a related deferred tax benefit of \$852,000. As a result of adopting SFAS 106, the Company anticipates that its annual expense will be only slightly higher than the annual expense incurred on a cash basis.

## LIQUIDITY AND CAPITAL RESOURCES

The following tabulation provides a summary of Changes in Consolidated Cash Flows for the periods indicated.

|                                         | Nine Months Ended<br>March 31 |                |
|-----------------------------------------|-------------------------------|----------------|
|                                         | 1992                          | 1991           |
|                                         | (in thousands)                |                |
| Cash provided by operations             | \$5,502                       | \$ 790         |
| Cash provided by financing activities   |                               | <u>5,194</u>   |
| Total cash provided                     | <u>5,502</u>                  | <u>5,984</u>   |
| Cash required for investment activities | (7,550)                       | (6,909)        |
| Cash required for financing activities  | <u>(1,413)</u>                |                |
| Total cash required                     | <u>(8,963)</u>                | <u>(6,909)</u> |
| Cash and cash equivalents:              |                               |                |
| Decrease for the period                 | (3,461)                       | (925)          |
| Balance at the beginning of the period  | <u>4,022</u>                  | <u>1,146</u>   |
| Balance at the end of the period        | <u>\$ 561</u>                 | <u>\$ 221</u>  |

Working capital at March 31, 1992 was \$28,452,000 and the current ratio was 211%. Working capital represented 15% of annualized net sales, a level the Company considers normal.

The Company anticipates that capital expenditures will approximate \$9,700,000, a level somewhat higher than depreciation.

The Company has bank lines of credit permitting borrowing up to an aggregate of \$20,500,000 at rates defined in the agreements. At March 31, 1992, \$2,900,000 was used. As most of the capital expenditures had been made at March 31, 1992, the Company expects to finance operations from internally generated funds and, if necessary for short-term working capital requirements, its bank lines of credit.

PART II. OTHER INFORMATION

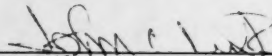
- Item 1. Legal proceedings - There have been no material developments in the legal proceedings addressed in the report on Form 10-K for June 30, 1991.
- Item 2. Changes in the rights of the Company's security holders - inapplicable this quarter.
- Item 3. Defaults by the Company on its senior securities - inapplicable this quarter.
- Item 4. Results of votes of security holders - inapplicable this quarter.
- Item 5. Other information - inapplicable this quarter.
- Item 6a. Exhibits - no exhibits are required this quarter.
- Item 6b. Reports on Form 8-K - no reports on Form 8-K were filed for the three months ended March 31, 1992.

SIGNATURES

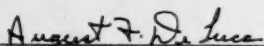
Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELCO INDUSTRIES, INC.

Date: May 14, 1992

  
\_\_\_\_\_  
John C. Lutz, President and Chief  
Operating Officer

Date: May 14, 1992

  
\_\_\_\_\_  
August F. DeLuca, Vice President -  
Finance and Chief  
Financial Officer